



PEOPLE & ORGANIZATIONS

Perks Vs. Pay: When Are Donuts Sweeter Than Cash?

OVERVIEW

What's more likely to motivate your workforce: a pay raise or free donuts? The answer might surprise you. Turns out, it's not always about money. Sometimes it is about the free donuts.

Performance and pay are typically linked – hard work is recognized in the form of compensation. But in an era of constrained budgets, pay increases are flat. So how do you reward performance when salary increases are projected only at 2.6 – 3% in the U.S. – and even lower in many developed economies? In order to attract and retain top tier talent, firms need to identify other methods of rewarding efforts of their workforce.

Good leaders understand the value of motivation and as companies are not increasing salaries, new forms of reward are being introduced. And interestingly enough, motivation and recognition might be stronger drivers of employee engagement than financial compensation.

IN DEPTH

As people are not making more money than they did the year prior, recognition is becoming more valuable. Neil Shastri, Leader of Global Insights and Innovation, Aon, stresses the importance of reward – especially during this time of flat pay increases. “When people's efforts are not being rewarded in the form of pay – they naturally look for other ways of validation. Increasingly, recognition is helping people feel like their work matters.”

There is strong evidence that shows how identifying and implementing these strategies for motivation can pave the way forward to a stronger, more profitable business. One survey found that 86% of the top-performing companies have specific strategies for engagement and motivation. Only 65% of other companies had these strategies.

Today's employee doesn't necessarily need more pay to be fully engaged with their organization. As workforces are becoming more diverse and multi-generational, one-size-fits-all approaches to talent management no longer work. Employees also need to be engaged on a more fundamental, interpersonal level – to feel recognized and valued as individuals, and to have a personal interest in their organization's ongoing success, not just to see their employer as the source of their next pay check.

Recognizing The Importance Of Recognition

“Recognition can be a better driver of engagement than pay,” says Shastri. “Pay is also important. But it's important to supplement it with something.” On its own, salary incentives can't create an organizational culture of recognition. To do that requires “a mix of monetary and non-monetary vehicles, and using them frequently, with senior leader participation,” he says.

In some circumstances, recognition has been found to be even more important than pay to drive engagement. “When we investigated how engagement levels responded to different kinds of reward, we found something interesting,” says Shastri. “Those that felt they were not being recognized and not being paid fairly, had low levels of engagement. Not surprising – those that felt they are *both* paid fairly and recognized have around 90% engagement.”

What is surprising though, Shastri explains, is the correlation of recognition and pay. Employees who felt they were recognised, but not paid fairly, were likely to have higher engagement, at 71%, than people who were paid fairly, but did not feel recognised, which was just 61%.

Similarly, one study at a semiconductor factory in Israel found that the promise of an end-of-week pizza or a well-done text from management resulted in higher levels of productivity than the promise of a \$30 bonus.

Another study on workers in the UK found that engaging employees in communal activities, like yoga, knitting classes, fundraisers, karaoke, board games, fancy dress days and raffles, were more likely to make employees feel energised and motivated.

Five Ways to Recognize and Motivate

As organizations find ways to supplement cash incentives, Shastri offers a few methods leaders can employ to recognize and motivate their teams.

1. Thank yous from peers, team leaders or higher management
2. Public recognition from senior leadership
3. Gifts or merchandise
4. Trophies and symbolic awards
5. Perks such as office lunches to paid company trips

If the act of recognition is to have maximum positive impact, it should ideally be delivered directly, person-to-person, with leadership and managers not just approving, but being actively involved as individuals, says Shastri.

Motivating Via Feedback And Career Development

In addition to formal recognition, there are more structural ways leaders can motivate their teams.

1) Rethinking The Performance Review

The performance review has traditionally been an important talent management tool to recognize efforts and develop staff. Used well, performance reviews can also be an opportunity to reinforce employees' ties to the company.

But businesses are changing, and the quarterly sit-down with the boss is becoming more outdated. "Some companies are thinking of doing away with performance ratings. Instead, they're thinking about doing more frequent check-ins," says Shastri. This shift to less formal and more frequent feedback could also mean the end of traditional, survey-based ways of quantifying feedback. "A lot of organizations are going to have to ask their managers to have a lot more frequent conversations," says Shastri.

2) Better Mentoring And Personal Development

Mentoring programs can "connect managers and high potential employees with people who exemplify behaviors you are trying to cultivate," says Shastri. "Assessing people and seeing, for example, who the most engaging leader is, means you can then take targeted action to train them and maximize their impact."

Providing employees opportunities to better their skills through training – even in training that can be applied outside of the workplace – could make them feel that they are getting real, quantifiable value out of their employment, above and beyond salary. For example, an employee who is also pursuing a hobby in graphic design, or runs a personal blog, could welcome a learning program in web development as a personal gain. But it would also boost their skill set within the context of their professional responsibilities.

3) Personalised Career Tracks

However, it's important to remember that not all employees should be treated with the same approach. With five generations soon to be in the workforce at the same time – there isn't a sweeping approach that will cater to all individuals. Millennials, for example, tend to crave original, varied experiences. Moving them around a business might be key to their retention. Team leaders may have to be prepared to send top talent to another team if they are to retain that talent for the company as a whole. This could require an organization-wide approach to cultivating talent to ensure that leaders who encourage such career development do not lose out by helping their best people to move to other parts of the firm. But that too can create issues if not approached sensitively.

Balancing Pay With Motivation

The business case for employee engagement is simple: employee performance impacts business performance. And pay, although a motivator for performance, isn't the only ingredient. Increasingly, motivation is taking various forms – recognition, career development, and the occasional team lunch. As workforces evolve and individuals place differing importance on workplace perks, having a better understanding of the individual motivators of teams is essential. Some might seek the salary increase. More and more though, donuts look like they'll dominate.

TALKING POINTS



"The biggest test now for any CEO is how to motivate and enthuse their staff. The problem for many will be exaggerated by the fact that they have waited until the arrival of the current economic climate to give any serious thought to this issue. But it's never too late to start building or reinforcing the team culture within your business, and those who do this most effectively and consistently will reap the biggest benefits." – John Harborow, Head of MENA operations, PA Consulting



"To enhance employee satisfaction, employees must understand how they contribute to the success of the organization. It is imperative that all employees interpret the values and mission of the organization as well as their specific job descriptions and expectations." – Marlene Butler, Senior VP, Practice Leader, Assurance

FURTHER READING

- The Motivating power Of Massive Transformative Purpose – Singularity Hub, November 8, 2016
- 5 Surprising Ways To Fuel Employee Motivation – The Business Journals, November 16, 2016
- 6 Features Of Companies That Can Deliver Real Change – Business Insider, November 24, 2016
- How To Build A Culture Of Thanks In Today's Workplace – HR Dive, November 22, 2016
- Inspire Your Black Friday Workforce: Lessons From Retailers – Forbes, November 15, 2016

- 2016 Trends In Global Employee Engagement – Aon report

